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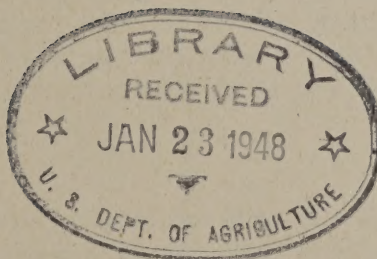
Reserve

FOR ADMINISTRATIVE USE

REA BOOKKEEPING COURSE
(Revised 9-4-45)

Text No. 13

REA Books of Account



UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Finance Division
St. Louis 2, Missouri

REA BOOKS OF ACCOUNT

Text No. 13

1. INTRODUCTION

The principal books of account used by REA-Financed systems are listed below and a sample sheet from each is attached to this text.

1. General Journal
2. General Ledger
3. Cash--General - Cash Received
4. Cash--General - Check Register
5. Cash--REA Construction Fund--Trustee - Cash Received and Budget Control
6. Cash--REA Construction Fund--Trustee - Check Register
7. General - Accounts Payable Register
8. REA Construction Fund--Trustee - Accounts Payable Register
9. Consumers' Ledger

2. GENERAL JOURNAL AND GENERAL LEDGER

The General Journal for REA use is typical of those previously discussed. On the left of the page is a date column, and in order to the right appear a description column, an account number column, and debit and credit money columns. Each page of the General Ledger has space at the top for the account title. At the left a date column is provided, followed in order to the right by a description column, a reference or folio column, and a pair of money or amount columns. Still to the right of the regular amount columns is found a pair of "balance" columns in which the balance of the account (whether debit or credit) at any date may be entered.

3. CASH BOOK

The classification of accounts prescribed for the REA Manual of Accounts requires the use of the columnar form of cash book. All cash receipts should be deposited intact and all disbursements made by check. Grouping the various sources of income and withdrawals under specific columns facilitates the work in maintaining the accounting records. The form of columnar cash book prescribed is adapted to the use of REA systems. The distributive columns have been classified in accordance with the frequency with which transactions occur. A miscellaneous column has been provided for transactions occurring less frequently.

a. Receipts

The receipts of an REA borrower include revenue from the operation of electric lines, membership fees, consumers' deposits, and other miscellaneous revenue, which are classified as General Funds.

(1) Various Sources of Cash

The primary source of income is from the sale of electric energy. However, there may be other miscellaneous receipts from materials purchased for resale or from services rendered. The receipts derived from the operation of the electric plant are considered operating revenues and the funds are deposited in one or more bank accounts designated "Cash--General." Membership fees which represent the members' initial equity in the cooperative are also deposited in the "Cash--General"--Funds Consumers' deposits, representing amounts paid by the members as security for the payment of electric bills, should be deposited in a special fund entitled "Cash--Consumers' Deposits." The funds advanced by REA for the construction of electric lines and other designated purposes are deposited in a depository approved by REA for that purpose and titled "Cash--REA Construction Fund--Trustee." These advances are recorded on a "Cash--REA Construction Fund--Trustee - Cash Received and Budget Control" sheet immediately upon receipt of the check from the U. S. Treasury. The date of the treasury check should be inserted in the memorandum column of the cash receipt book for future use in computing interest on funds advanced. All reimbursements to REA Construction Funds, either from General Funds or refunds on expenditures originally disbursed from REA Construction Funds, are deposited in the REA Construction Funds bank account. In recording cash receipts on the cash received sheet prescribed, the page number and the month and year date should appear in the heading of each page. The day of the month should be inserted in the date column, the source of the receipt in the descriptive column, and the total amount of the receipt in the cash column. In recording an advance of funds from REA, the individual amounts should be distributed to the various columns in the cash received record according to the purposes for which funds were advanced as indicated on the approved requisition. All advances of funds from REA are a credit to the account, "Allotment Available From REA."

(2) Daily Cash Records

There are two methods of accounting for daily cash receipts: the daily cash collection sheet and the daily cash envelope method. The daily cash collection sheet is a columnar form and provides for the date, the account number, name of the consumer, the amount collected, and distributive columns titled according to the source of receipts such as Accounts Receivable, Membership Fees, Consumers' Deposits, etc. At the end of the day, the daily cash collection sheet is totaled and reconciled with the cash in the money drawer. A summary of the collections is made at the bottom of the sheet and the names of the banks in which the funds are deposited should be noted thereon. Where the number of consumers is exceptionally large,

DAILY CASH COLLECTIONS
CASH--GENERAL

Date January 2, 1945

Source of Collection	Debit	Credits						Debit		Credit	
		120.1	125.1	612	204	Misc.	Cash	a/c No.	Amt.	a/c No.	Amt.
						a/c No.					
John Smith - #37A	16 10	15 35	75								
Fred Howe - Memb. Fee	5 00			5 00							
Fred Howe - Deposit								120.5	5 00	227	5 00
Tom Sawyer - Installa- -tion Note								120.4	5 67	124.2 524.2	5 00 67
Harry Fin - #146B	8 61	8 20	41								
TOTAL	29 71	23 55	1 16	5 00					10 67		10 67

DEPOSITED IN:

3rd State Bank
6th National Bank
15th National Bank

\$29.71

5.00

5.67

DATE OF DEPOSIT:

1/2/45

1/2/45

1/2/45

Total

\$40.38

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the work involved in recording each consumer's name and amount would be rather burdensome.

In such cases, it is customary to run an adding machine tape of the energy bills paid and list the total amount under Accounts Receivable. Postings to the individual consumers' accounts, where detail is not listed on the daily collection sheet, should be made from the receipt stubs. The adding machine tape is then attached to the stubs, which are dated and filed in chronological order for future reference. Other receipts, such as membership fees, consumers' deposits, or other miscellaneous receipts, are listed separately on the sheet.

Under the envelope method receipts are grouped according to classification, such as energy bills, membership fees, etc. An adding machine tape is run of each group of receipts, and the totals of the groups are summarized on the front of the envelope under the various captions. The total of the summary is reconciled with the cash in the money drawer, and the name of the bank in which the funds are deposited is noted, together with the amount deposited. Either of these methods provides a record of the daily cash collections classified as to the source. It is important that duplicate receipts be retained by the system on collections received. In the case of energy bills, the canceled stubs should be retained and marked "paid." If a remittance is not accompanied by a stub, a prenumbered counter receipt should be prepared showing the name of the consumer, account number, and the amount of the collection. Prenumbered receipts should be issued for all collections of membership fees, consumers' deposits, etc., and duplicate copies retained with the cash record.

If merchandise sales are made, prenumbered invoices should be prepared in duplicate, the original going to the consumer and the copy being retained for the office records, showing the detail of material sold and the cost of the individual items. If the sale is a cash transaction, the invoice should be stamped "paid" and placed with the other receipts. All energy bill stubs and other receipts should equal total cash received and these, together with the duplicate deposit slips, should be placed in an envelope and filed in chronological order. A summary of all daily cash collections is to be posted to the Cash--General - Cash Received sheet.

The amount deposited is recorded in the bank column, the total amount of the receipts is recorded in the cash column, and the amounts of the various classifications are distributed to the respective columns. At the end of the month the cash received sheets are totaled and ruled and the amounts posted to the General Ledger accounts. A new sheet should be started for each month.

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(3) Deposits

All cash receipts should be deposited intact daily. The usual procedure is to deposit the current day's collections on the following morning. However, in offices where it is not considered safe to hold the funds overnight, a certain time during the day should be established for the closing of the day's business, and collections up to that time should be verified and deposited before the bank closes. The deposit slip should be prepared in duplicate, and the signature of the bank teller receiving the deposit should appear on the copy retained by the cooperative. In preparing the deposit slip, the funds are divided between currency, silver, checks, and money orders. Checks and money orders should be properly endorsed and listed separately. Deposits slip illustrated below:

THE FIRST NATIONAL BANK
OF JONESVILLE

Jonesville, Tenn.

IN ACCOUNT WITH REA Cooperative

Cash - General

DATE August 1, 1944

Currency		100.00
Silver		.60
Checks	James Smith	10.00
	Mary Snider	15.00
Money Orders		
	William Brown	5.00
	Joseph Bryan	7.00

D U P L I C A T E

Deposit Received

DATE: August 1, 1944

(Signature Bank Teller)

- Total 137.60

(4) Depositories

The Board of Directors select a depository which should be a member of the Federal Reserve System. After preliminary investigation by REA, if the bank is found acceptable with the Board of Directors, an account may be opened with the approved depository. REA Loan Contracts require that all depositories be members of the Federal Deposit Insurance Corporation. Usually only one depository is approved for the REA Construction Funds. The deposits to this account, which are usually in large amounts, do not remain in the bank for any length of time since disbursements ordinarily are made soon after the funds are received. The system should not request advances in excess of its immediate needs. It will be necessary to secure approval of additional depositories for General Funds if the balance in this account may exceed the \$5,000.00 limit of protection provided by the Federal Deposit Insurance Corporation. In such cases it is necessary to maintain separate bank accounts. If the depositor has three or four bank accounts in one bank and the total of the combined balances exceeds \$5,000.00, deposits are protected only to the \$5000.00 limit.

b. Disbursements

As already explained under "Receipts" there are two main cash accounts used generally by REA systems--namely, the Cash--General and Cash--REA Construction Funds. Since cash receipts are segregated to the separate funds according to their sources, it is also necessary to segregate the cash disbursements. To accomplish this segregation, separate cash disbursements sheets or check registers are provided. The General Funds disbursements should normally include all payments other than those of a special construction nature. A discussion of these two types of disbursements follows:

(1) General Fund

Since all receipts derived principally from the operation of the electric system, including membership fees, etc., are deposited to the Cash--General account or accounts, it follows that all related disbursements resulting from the operation of the system, including refunds of membership fees, etc., must be drawn by check on the same fund.

Disbursement checks drawn on the General Funds account are recorded numerically by check number in the Cash--General - Check Register or cash disbursement book and the amounts are distributed in accordance with the classified purposes of each disbursement. If, for example, a check is made out to the manager of a system in payment of his salary of \$200; which has been apportioned in accordance with the actual time spent for each operation, the distribution of this check would be indicated in the check register under each of the accounts affected.

In recording salary checks, the net amount of the check is reflected in the cash credit column. The Social Security Tax Deduction is recorded as a credit under the Social Security Tax column and the Income Tax Withheld is entered as a credit to the Income Tax Withheld account. Amplifying the above example, the following illustration is given.

Debit Acct 791	- General Office Salaries	-\$100.00
" " 756	- Operation Supervision and Engineering	- 25.00
" " 764	- Maintenance Supervision and Engineering	- 25.00
" " 780	- Meter Reading, Accounting and Collecting	- 50.00
Credit Acct. 120.1	-Cash-General	- 183.00
" " 228.3	-Accrued U. S. Social Security Tax-Old Age Benefit	- 2.00
" " 230.2	-Accrued Employees' Income Tax Withheld	- 15.00

Distribution of the above items would be made in the Cash--General - Check Register in the column provided. If no column is provided for any particular item, the amount should be entered in the Miscellaneous column and the proper account number given.

(2) REA Construction Funds

Since receipts deposited for this fund consist primarily of advances by REA for specific construction purposes, it naturally follows that the disbursements from this fund must be made for the same specific purposes.

The method of recording checks in the Cash--REA Construction Fund--Trustee - Check Register is substantially the same as the one outlined for the Cash--General - Check Register. The main difference between these registers is the nature of the disbursements which necessitates distributive columns applicable to budget purposes.

At the close of the month, the check register page is totaled and footed in pencil. The "miscellaneous" column is summarized for posting purposes at the bottom of the column. After the accuracy of the total of the debit and credit columns is verified, these columns should be inked in and ruled. Then the totals are posted to the appropriate general ledger accounts.

(3) Voucher Checks - Form and Preparation

A voucher check is a form of bank check on which are recorded the essential details of the disbursement.

The payee's endorsement constitutes a prima facie receipt for the payment of the account as stated. The form of voucher check used by REA systems is a combination voucher and check. The voucher portion provides for memoranda of the details of the indebtedness covered by the remittance.

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The check portion is the ordinary form of bank check bearing the same number as the voucher portion. The voucher check is prepared in triplicate, the original going to the payee, and two copies being retained by the system. If more than one bank account is in use, checks on each should be of a separate series and distinctive color. An illustration of the voucher check is given below.

Date	Items
	TOTAL - - - \$

REMITTANCE MEMO

SIMPSON COUNTY RURAL ELECTRIC COOPERATIVE

No. 2573

by: Cash - General.

Simpsonburg, Indiana 19

PAY TO THE ORDER OF _____ DOLLARS

Simpson County Rural Electric Cooperative

By

Authorized Agent

Payable at

SIMPSON NATIONAL BANK

Simpsonburg, Indiana

- 7 -

(4) Filing

The first carbon copy of the voucher check is attached to an itemized invoice or receipt describing the indebtedness and is filed in numerical order by months. The second carbon copy of the voucher check is filed in a binder or folder in alphabetical order to provide a cross index for ready reference. Some systems have adopted the reverse method of filing, that is, the first carbon copy filed numerically, and the second copy filed alphabetically with the receipted invoices attached.

(5) Reconciliation of Bank Account

The bookkeeping work is not completed until all of the bank accounts have been reconciled with the cash accounts in the general ledger at the end of each month. Reconciliation must take into consideration certain items such as returned checks, bank charges, etc., which may not have been reflected in the books of account for the month. It would be well to remember that by reconciliation we do not mean the mere verification of the mathematical accuracy of the bank statement. Reconciliation involves taking into consideration outstanding checks, deposits in transit, and items charged by the bank and credited by the bank (such as collection of a note, services charged, etc.)

The standard method of reconciliation of bank accounts consists of the following steps:

1. Compare paid checks returned by the bank with the debits shown on the bank statement before disturbing the order in which they were entered on the statement.

2. Arrange checks in numerical order.

3. Examine each check for proper endorsement. Any checks which are not properly endorsed should be returned to the bank immediately with a request that an acceptable endorsement be obtained.

4. Compare, and indicate by a check mark opposite the check number in the check register, the checks returned; list checks outstanding at the close of the previous month as shown by the previous month-end reconciliation; and reconcile with checks issued during the current month as shown by the cash disbursements records, noting all checks outstanding or issued which are not returned by the bank. This comparison should include check number, date, and amount.

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5. List by date, number, and amount, all checks which have not been paid by the bank as disclosed after comparison of the checks returned with the previous month's list of checks outstanding and the current cash disbursements record.

6. Verify any amount appearing in the previous month's reconciliation as deposits in transit not credited by the bank on the previous month's statement. These should appear as deposits in the current month's bank statement.

7. Ascertain that all reconciling items other than checks outstanding and deposits in transit which appear in the previous month's reconciliation have been accounted for either as corrections by the bank during the current month or by an adjusting entry to the general ledger account.

8. Compare amounts transmitted to the bank for deposit with deposit amounts shown by the bank statement and list any which have not been credited by the bank in the current month's statement. These will be the deposits in transit for the current month's reconciliation.

9. Some thought should be given to checks outstanding for a period of more than six months. In such instances it is advisable to investigate the cause for the non-payment of such items and if no substantial reason exists, it is recommended that payment be stopped by notice to the bank. An adjusting entry should be made debiting Cash and crediting the appropriate liability account, Accounts Payable (General or Special Construction).

10. The reconciliation is made by the bookkeeper and is shown in detail either on the back of the bank statement or in the related cash book.

11. Summarizing the above method of reconciling the bank account the following bank reconciliation procedure is given;

<u>Balance shown by bank statement at close of month,</u>		
December 31, 1944		\$5,000.00
Add: Deposits in transit not credited by bank		300.00
		<u>\$5,300.00</u>
Deduct: Outstanding Checks		
December 29, 1944 #10	\$300.00	
December 30, 1944 #15	200.00	
December 31, 1944 #20	100.00	
		<u>600.00</u>
Adjusted Bank Balance		<u>\$4,700.00</u>
Balance per General Ledger Cash Account December 31		
	1944	<u>\$4,700.00</u>

It will be noted that the reconciliation does not show adjustments other than deposits in transit and outstanding checks. It is assumed in this example that any adjustments involving bank charges, returned checks, errors by bank, errors in cash receipts, and/or disbursements, collections of notes by bank, etc. have been made before the reconciliation was prepared.

4. OTHER CASH ACCOUNTS

Collections, deposits, and payments relating to cash refunds other than General or REA Construction are usually not so numerous as to require separate cash books. In most instances, a certain section of each Cash--General Funds or Cash--REA Construction Funds page may be used for recording entries to a specific minor cash account. For example, the last few lines below the total for each General Funds page could well be used for details of transactions relating to the Consumers' Deposit Fund cash account.

5. ACCOUNTS PAYABLE REGISTER

One of the fundamental purposes of an effective accounting system is to reflect all expenses, liabilities, and other charges affecting accounts in the books of account in the period or month in which they are incurred. Most changes are reflected by cash transactions. Since a number of items may remain unpaid at the end of the month, it is necessary to record them in order to give effect to such transactions in the accounts. The Accounts Payable Register is used to record all unpaid items at the end of the month. Two registers are provided--one for General Funds and another for REA Construction Funds.

In order to reduce the amount of bookkeeping work to a minimum, it is a recognized REA procedure that every effort be made to pay all current obligations during the month in which they are incurred. In some instances it may be impracticable to meet current obligations immediately. In this event, these unpaid obligations are recorded in the appropriate accounts payable register. At the end of the month the accounts affected are debited and Accounts Payable credited.

The accounts payable register prescribed by REA is a columnar form which has been arranged according to the general ledger accounts most frequently used, and a miscellaneous column provided for accounts used less frequently. At the end of the month the columns are totaled and summarized, the totals of the distributive columns equaling the total of the Accounts Payable column. In posting the totals of the distributive columns to the general ledger, the items should be identified similarly to the procedure outlined under "Cash Disbursements," such as Contractor, Meters, Operations Labor, etc.

At such times as checks are drawn in payment of items recorded in the accounts payable register, a notation should be made in the last two columns of the register indicating the date paid and the check number. This is important in reconciling the Accounts Payable Register with the General Ledger controlling account, as the total of unpaid obligations shown in the Accounts Payable Register should agree with the credit balance shown in the General Ledger controlling account. This reconciliation should be made monthly.

6. CONSUMERS' LEDGER

Because REA-financed electric companies receive the major portion of their income from the consumption of electric current by their members, it is proper to speak of the subsidiary accounts receivable records as the Consumers' Ledger or the Consumers' Ledger Card File, as the case may be.

The Consumers' Ledger may consist of one or more volumes in which the sheets are ruled as on the attached form. The individual accounts are usually set up in alphabetical order and the postings are made to them from the original billings and from the daily cash collections sheet. As of the end of any given month, the amounts owed by the consumers, according to this ledger, should total the same as the balance of the Accounts Receivable account in the General Ledger.

The attached illustration of the Consumers' Ledger Card shows one of the types of ruling in use for the cards making up the Consumers' Ledger Card File. The card file method of recording amounts due from the individual consumers has largely superseded the ledger sheet method because, when used in conjunction with the post card meter reading and billing system recommended by REA, the file method provides several advantages. The individual consumer cards may be moved about freely within the file drawer and thus lend themselves to grouping in accordance with the presentation of information regarding consumers who have not remitted their meter readings, who are delinquent in their payments, who are fully paid up, or who have paid in advance, etc.

Regardless of the type of subsidiary accounts receivable record made use of it is good practice to reconcile this record with its controlling account in the general ledger each month.

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CONFIDENTIAL

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Text No. 13
Illustration No. 1

Sheet No. _____

[illegible]

Sheet No.

Sheet No.

[illegible]

A/C 125.1	A/C 125.2	A/C 204	A/C 222.3	A/C 520.1	A/C 524.2	A/C 526	A/C 612	A/C 615	General Ledger
Accounts Receivable Electric Consumers	Other Accounts Receivable	Memberships Subscribed But Unissued	Accounts Payable- Other	Revenue From Merchandising Sales	Other Interest Revenues	Misc. Non-Operating Revenues	Consumers' Forfeited Discounts Penalties	Misc. Electric Revenues	A/C No. Amount

DEBIT

GENERAL OFFICE EXPENSE

Consumer's Promotional Accountable Utilization A/C 780	General Office Salaries A/C 781	General Office A/C 791	General Office A/C 793	Director's Office A/C 801.1	Misc. Gen'l Expense A/C 801.4	Rents A/C 803	Stores Expense A/C 810	Transportation Exp. A/C 903	Miscellaneous Expense A/C No.	Amount
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DEBIT

OPERATION EXPENSES

Accounts	Accrued	Operation of	Operation of	Services	Other	Operation
A/C No.	Payroll	Staffing	Time	Consumers	Expenses	Expenses
A/C 2019	A/C 2019	A/C 199	A/C 161	A/C 162	A/C No.	Amount

DEBIT

MAINTENANCE

EXPENSE

Structure Station Equipment	Maintenance of lines	Trans-formers & Devices	Maintenance of meters	Other Maintenance Expense	Amount
A/C 765	A/C 768	A/C 770	A/C 771	A/C 772	A/C No.

CASH - REA CONSTRUCTION FUND - TRUSTEE - CHECK REGISTER

Text No. 13 - Illustration No. 6

Record of Checks Drawn on

Bank for Month of

19__.

Sheet No. _____

[illegible][illegible]

Month of _____

GENERAL FUNDS

Accounts Payable Register

Sheet No. _____

Payable to	Vch. No.	Accounts Payable Amount	REFERENCE		DEBIT			
			Date Paid	Check Number	Work in Progress General A/C 103.1	Materials & Supplies Electric A/C 131.1	Materials & Supplies Resale A/C 131.2	Purchased Power A/C 738
								Operations Expense A/C 761

ACCOUNTS PAYABLE REGISTER

Sheet No. _____

. 19 .

DEBIT[illegible]

Text No. 13 - Illustration No. 9a

Date Removed

[illegible]

100

100

100

100

Delinquent Rate

Total

[illegible]

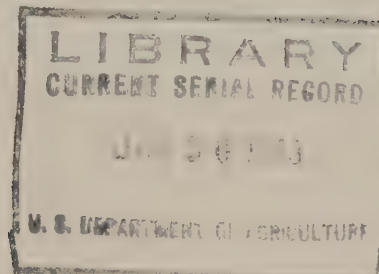
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FOR ADMINISTRATIVE USE

REA BOOKKEEPING COURSE
(Revised 12-15-47)

Text No. 13

REA Books of Account



UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Finance Division
Washington 25, D. C.

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8. REA Construction Fund--Trustee - Accounts Payable Register
9. Consumers' Ledger

2. GENERAL JOURNAL AND GENERAL LEDGER

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3. CASH BOOK

The classification of accounts prescribed for the REA Manual of Accounts requires the use of the columnar form of cash book. All cash receipts should be deposited intact and all disbursements made by check. Grouping the various sources of income and withdrawals under specific columns facilitates the work in maintaining the accounting records. The form of columnar cash book prescribed is adapted to the use of REA systems. The distributive columns have been classified in accordance with the frequency with which transactions occur. A miscellaneous column has been provided for transactions occurring less frequently.

a. Receipts

The receipts of an REA borrower include revenue from the operation of electric lines, membership fees, consumers' deposits, and other miscellaneous revenue, which are classified as General Funds.

(1) Various Sources of Cash

The primary source of income is from the sale of electric energy. However, there may be other miscellaneous receipts from materials purchased for resale or from services rendered. The receipts derived from the operation of the electric plant are considered operating revenues and the funds are deposited in one or more bank accounts designated "Cash--General." Membership fees which represent the members' initial equity in the cooperative are also deposited in the "Cash--General"-Funds Consumers' deposits, representing amounts paid by the members as security for the payment of electric bills, should be deposited in a special fund entitled "Cash--Consumers' Deposits." The funds advanced by REA for the construction of electric lines and other designated purposes are deposited in a depository approved by REA for that purpose and titled "Cash--REA Construction Fund--Trustee." These advances are recorded on a "Cash--REA Construction Fund--Trustee - Cash Received and Budget Control" sheet immediately upon receipt of the check from the U. S. Treasury. The date of the treasury check should be inserted in the memorandum column of the cash receipt book for future use in computing interest on funds advanced. Interest begins on the day following issuance of U. S. Treasury check by Disbursing Officer and includes the last day of the billing period. All reimbursements to REA Construction Funds, either from General Funds or refunds on expenditures originally disbursed from REA Construction Funds, are deposited in the REA Construction Funds bank account. In recording cash receipts on the cash received sheet prescribed, the page number and the month and year date should appear in the heading of each page. The day of the month should be inserted in the date column, the source of the receipt in the descriptive column, and the total amount of the receipt in the cash column. In recording an advance of funds from REA, the individual amounts should be distributed to the various columns in the cash received record according to the purposes for which funds were advanced as indicated on the approved requisition. All advances of funds from REA are a credit to the account, "Allotment Available from REA."

(2) Daily Cash Records

There are two methods of accounting for daily cash receipts: the daily cash collection sheet and the daily cash envelope method. The daily cash collection sheet is a columnar form and provides for the date, the account number, name of the consumer, the amount collected, and distributive columns titled according to the source of receipts such as Accounts Receivable, Membership Fees, Consumers' Deposits, etc. At the end of the day, the daily cash collection sheet is totaled and reconciled with the cash in the money drawer. A summary of the collections is made at the bottom of the sheet and the names of the banks in which the funds are deposited should be noted thereon. Where the number of consumers is exceptionally large,

the work involved in recording each consumer's name and amount would be rather burdensome.

In such cases, it is customary to run an adding machine tape of the energy bills paid and list the total amount under Accounts Receivable. Postings to the individual consumers' accounts, where detail is not listed on the daily collection sheet, should be made from the receipt stubs. The adding machine tape is then attached to the stubs, which are dated and filed in chronological order for future reference. Other receipts, such as membership fees, consumers' deposits, or other miscellaneous receipts, are listed separately on the sheet.

Under the envelope method receipts are grouped according to classification, such as energy bills, membership fees, etc. An adding machine tape is run of each group of receipts, and the totals of the groups are summarized on the front of the envelope under the various captions. The total of the summary is reconciled with the cash in the money drawer, and the name of the bank in which the funds are deposited is noted, together with the amount deposited. Either of these methods provides a record of the daily cash collections classified as to the source. It is important that duplicate receipts be retained by the system on collections received. In the case of energy bills, the canceled stubs should be retained and marked "paid." If a remittance is not accompanied by a stub, a prenumbered counter receipt should be prepared showing the name of the consumer, account number, and the amount of the collection. Prenumbered receipts should be issued for all collections of membership fees, consumers' deposits, etc., and duplicate copies retained with the cash record.

If merchandise sales are made, prenumbered invoices should be prepared in duplicate, the original going to the consumer and the copy being retained for the office records, showing the detail of material sold and the cost of the individual items. If the sale is a cash transaction, the invoice should be stamped "paid" and placed with the other receipts. All energy bill stubs and other receipts should equal total cash received and these, together with the duplicate deposit slips, should be placed in an envelope and filed in chronological order. A summary of all daily cash collections is to be posted to the Cash--General - Cash Received sheet.

The amount deposited is recorded in the bank column, the total amount of the receipts is recorded in the cash column, and the amounts of the various classifications are distributed to the respective columns. At the end of the month the cash received sheets are totaled and ruled and the amounts posted to the General Ledger accounts. A new sheet should be started for each month.

REA BOOKS OF ACCOUNT

Text No. 13

(3) Deposits

All cash receipts should be deposited intact daily. The usual procedure is to deposit the current day's collections on the following morning. However, in offices where it is not considered safe to hold the funds overnight, a certain time during the day should be established for the closing of the day's business, and collections up to that time should be verified and deposited before the bank closes. The deposit slip should be prepared in duplicate, and the signature of the bank teller receiving the deposit should appear on the copy retained by the cooperative. In preparing the deposit slip, the funds are divided between currency, silver, checks, and money orders. Checks and money orders should be properly endorsed and listed separately. A deposit slip is illustrated below:

THE FIRST NATIONAL BANK
OF JONESVILLE

Jonesville, Tenn.

IN ACCOUNT WITH REA Cooperative

Cash - General

DATE August 1, 1944

Currency		\$100.00
Silver		.60
Checks	James Smith	10.00
	Mary Snider	15.00
Money Orders		
	William Brown	5.00
	Joseph Bryan	7.00

D U P L I C A T E

Deposit Received

DATE: August 1, 1944

(Signature Bank Teller)

Total \$137.60

(4) Depositories

The Board of Directors select a depository which should be a member of the Federal Reserve System. After preliminary investigation by REA, if the bank is found acceptable with the Board of Directors, an account may be opened with the approved depository. REA Loan Contracts require that all depositories be members of the Federal Deposit Insurance Corporation. Usually only one depository is approved for the REA Construction Funds. The deposits to this account, which are usually in large amounts, do not remain in the bank for any length of time since disbursements ordinarily are made soon after the funds are received. The cooperative should not request advances in excess of its immediate needs. It will be necessary to secure approval of additional depositories for General Funds if the balance in this account exceeds the \$5,000.00 limit of protection provided by the Federal Deposit Insurance Corporation. In such cases, it is necessary to maintain separate bank accounts. If the depositor has three or four bank accounts in one bank and the total of the combined balances exceeds \$5,000.00, deposits are protected only to the \$5,000.00 limit.

b. Disbursements

As already explained under "Receipts" there are two main cash accounts used generally by REA systems; namely, the Cash--General and Cash--REA Construction Funds. Since cash receipts are segregated to the separate funds according to their sources, it is also necessary to segregate the cash disbursements. To accomplish this segregation, separate cash disbursements sheets or check registers are provided. The General Funds disbursements should normally include all payments other than those of a special construction nature. A discussion of these two types of disbursements follows:

(1) General Fund

Since all receipts derived principally from the operation of the electric system, including membership fees, etc., are deposited to the Cash--General account or accounts, it follows that all related disbursements resulting from the operation of the system, including refunds of membership fees, etc., must be drawn by check on the same fund.

Disbursement checks drawn on the General Funds account are recorded numerically by check number in the Cash--General Check Register or cash disbursement book and the amounts are distributed in accordance with the classified purposes of each disbursement. If, for example, a check is made out to the manager of a system in payment of his salary of \$200, which has been apportioned in accordance with the actual time spent for each operation, the distribution of this check would be indicated in the check register under each of the accounts affected.

REA BOOKS OF ACCOUNT

Text No. 13

In recording salary checks, the net amount of the check is reflected in the cash credit column. The Social Security Tax Deduction is recorded as a credit under the Social Security Tax column and the Income Tax Withheld is entered as a credit to the Income Tax Withheld account. Amplifying the above example, the following illustration is given:

Debit Acct	791	-General Office Salaries	-\$100.00
" "	756	-Operation Supervision and Engineering	- 25.00
" "	764	-Maintenance Supervision and Engineering	- 25.00
" "	780	-Meter Reading, Accounting and Collecting	- 50.00
Credit Acct	120.1	Cash-General	- 183.00
" "	228.3	Accrued U. S. Social Security	
		Tax-Old Age Benefit	- 2.00
" "	230.2	Accrued Employees' Income Tax Withheld	- 15.00

Distribution of the above items would be made in the Cash--General - Check Register in the column provided. If no column is provided for any particular item, the amount should be entered in the Miscellaneous column and the proper account number given.

(2) REA Construction Funds

Since receipts deposited for this fund consist primarily of advances by REA for specific construction purposes, it naturally follows that the disbursements from this fund must be made for the same specific purposes.

The method of recording checks in the Cash--REA Construction Fund--Trustee - Check Register is substantially the same as the one outlined for the Cash--General - Check Register. The main difference between these registers is the nature of the disbursements which necessitates distributive columns applicable to budget purposes.

At the close of the month, the check register page is totaled and footed in pencil. The "miscellaneous" column is summarized for posting purposes at the bottom of the column. After the accuracy of the total of the debit and credit columns is verified, these columns should be inked in and ruled. Then the totals are posted to the appropriate general ledger accounts.

(3) Voucher Checks - Form and Preparation

A voucher check is a form of bank check on which are recorded the essential details of the disbursement.

The payee's endorsement constitutes a prima facie receipt for the payment of the account as stated. The form of voucher check used by REA systems is a combination voucher and check. The voucher portion provides for memoranda of the details of the indebtedness covered by the remittance.

REA BOOKS OF ACCOUNT

Text No. 13

The check portion is the ordinary form of bank check bearing the same number as the voucher portion. The voucher check is prepared in triplicate, the original going to the payee, and two copies being retained by the system. If more than one bank account is in use, checks on each should be of a separate series and distinctive color. An illustration of the voucher check is given below.

Date	Items
	TOTAL \$

REMITTANCE MEMO

SIMPSON COUNTY RURAL ELECTRIC COOPERATIVE No. 2573

[illegible]

PAY TO THE ORDER OF \$

Dollars

Simpson County Rural Electric Cooperative

By _____
Authorized Agent

Payable at
SIMPSON NATIONAL BANK
Simpsonburg, Indiana

Countersigned by:

(4) Filing

The first carbon copy of the voucher check is attached to an itemized invoice or receipt describing the indebtedness and is filed in numerical order by months. The second carbon copy of the voucher check is filed in a binder or folder in alphabetical order to provide a cross index for ready reference. Some systems have adopted the reverse method of filing, that is, the first carbon copy filed numerically, and the second copy filed alphabetically with the receipted invoices attached.

(5) Reconciliation of Bank Account

The bookkeeping work is not completed until all of the bank accounts have been reconciled with the cash accounts in the general ledger at the end of each month. Reconciliation must take into consideration certain items such as returned checks, bank charges, etc., which may not have been reflected in the books of account for the month. It would be well to remember that by reconciliation we do not mean the mere verification of the mathematical accuracy of the bank statement. Reconciliation involves taking into consideration outstanding checks, deposits in transit, and items charged by the bank and credited by the bank (such as collection of a note, services charged, etc.).

The standard method of reconciliation of bank accounts consists of the following steps:

1. Compare paid checks returned by the bank with the debits shown on the bank statement before disturbing the order in which they were entered on the statement.
2. Arrange checks in numerical order.
3. Examine each check for proper endorsement. Any checks which are not properly endorsed should be returned to the bank immediately with a request that an acceptable endorsement be obtained.
4. Compare, and indicate by a check mark opposite the check number in the check register, the checks returned; list checks outstanding at the close of the previous month as shown by the previous month-end reconciliation; and reconcile with checks issued during the current month as shown by the cash disbursements records, noting all checks outstanding or issued which are not returned by the bank. This comparison should include check number, date, and amount.

REA BOOKS OF ACCOUNT

Text No. 13

5. List by date, number, and amount, all checks which have not been paid by the bank as disclosed after comparison of the checks returned with the previous month's list of checks outstanding and the current cash disbursements record.

6. Verify any amount appearing in the previous month's reconciliation as deposits in transit not credited by the bank on the previous month's statement. These should appear as deposits in the current month's bank statement.

7. Ascertain that all reconciling items other than checks outstanding and deposits in transit which appear in the previous month's reconciliation have been accounted for either as corrections by the bank during the current month or by an adjusting entry to the general ledger account.

8. Compare amounts transmitted to the bank for deposit with deposit amounts shown by the bank statement and list any which have not been credited by the bank in the current month's statement. These will be the deposits in transit for the current month's reconciliation.

9. Some thought should be given to checks outstanding for a period of more than six months. In such instances it is advisable to investigate the cause for the non-payment of such items and if no substantial reason exists, it is recommended that payment be stopped by notice to the bank. An adjusting entry should be made debiting Cash and crediting the appropriate liability account, Accounts Payable (General or Special Construction).

10. The reconciliation is made by the bookkeeper and is shown in detail either on the back of the bank statement or in the related cash book.

11. Summarizing the above-method of reconciling the bank account the following bank reconciliation procedure is given:

<u>Balance shown by bank statement at close of month,</u>		
December 31, 1947		\$5,000.00
Add: Deposits in transit not credited by bank		<u>300.00</u>
		\$5,300.00
Deduct: Outstanding Checks		
December 29, 1947 #10	\$300.00	
December 30, 1947 #15	200.00	
December 31, 1947 #20	<u>100.00</u>	<u>600.00</u>
Adjusted Bank Balance		<u>\$4,700.00</u>
Balance per General Ledger Cash Account December 31, 1947		<u>\$4,700.00</u>

It will be noted that the reconciliation does not show adjustments other than deposits in transit and outstanding checks. It is assumed in this example that any adjustments involving bank charges, returned checks, errors by bank, errors in cash receipts, and/or disbursements, collections of notes by bank, etc. have been made before the reconciliation was prepared.

4. OTHER CASH ACCOUNTS

Collections, deposits, and payments relating to cash refunds other than General or REA Construction are usually not so numerous as to require separate cash books. In most instances, a certain section of each Cash--General Funds or Cash--REA Construction Funds page may be used for recording entries to a specific minor cash account. For example, the last few lines below the total for each General Funds page could well be used for details of transactions relating to the Consumers' Deposit Fund cash account.

5. ACCOUNTS PAYABLE REGISTER

One of the fundamental purposes of an effective accounting system is to reflect all expenses, liabilities, and other charges affecting accounts in the books of account in the period or month in which they are incurred. Most changes are reflected by cash transactions. Since a number of items may remain unpaid at the end of the month, it is necessary to record them in order to give effect to such transactions in the accounts. The Accounts Payable Register is used to record all unpaid items at the end of the month. Two registers are provided--one for General Funds and another for REA Construction Funds.

In order to reduce the amount of bookkeeping work to a minimum, it is a recognized REA procedure that every effort be made to pay all current obligations during the month in which they are incurred. In some instances it may be impracticable to meet current obligations immediately. In this event, these unpaid obligations are recorded in the appropriate accounts payable register. At the end of the month the accounts affected are debited and Accounts Payable credited.

The accounts payable register prescribed by REA is a columnar form which has been arranged according to the general ledger accounts most frequently used, and a miscellaneous column provided for accounts used less frequently. At the end of the month the columns are totaled and summarized, the totals of the distributive columns equaling the total of the Accounts Payable column. In posting the totals of the distributive columns to the general ledger, the items should be identified similarly to the procedure outlined under "Cash Disbursements," such as Contractor, Meters, Operations Labor, etc.

At such times as checks are drawn in payment of items recorded in the accounts payable register, a notation should be made in the last two columns of the register indicating the date paid and the check number. This is important in reconciling the Accounts Payable Register with the General Ledger controlling account, as the total of unpaid obligations shown in the Accounts Payable Register should agree with the credit balance shown in the General Ledger controlling account. This reconciliation should be made monthly.

6. CONSUMERS' LEDGER

Because REA-financed electric cooperatives receive the major portion of their income from the consumption of electric current by their members, it is proper to speak of the subsidiary accounts receivable records as the Consumers' Ledger or the Consumers' Ledger Card File, as the case may be.

The Consumers' Ledger may consist of one or more volumes in which the sheets are ruled as on the attached form. The individual accounts are usually set up in alphabetical order and the postings are made to them from the original billings and from the daily cash collections sheet. As of the end of any given month, the amounts owed by the consumers, according to this ledger, should total the same as the balance of the Accounts Receivable account in the General Ledger.

The attached illustration of the Consumers' Ledger Card shows one of the types of ruling in use for the cards making up the Consumers' Ledger Card File. The card file method of recording amounts due from the individual consumers has largely superseded the ledger sheet method because, when used in conjunction with the post card meter reading and billing system recommended by REA, the file method provides several advantages. The individual consumer cards may be moved about freely within the file drawer and thus lend themselves to grouping in accordance with the presentation of information regarding consumers who have not remitted their meter readings, who are delinquent in their payments, who are fully paid up, or who have paid in advance, etc.

Regardless of the type of subsidiary accounts receivable record made use of it is good practice to reconcile this record with its controlling account in the general ledger each month.

Text No. 13
Illustration No. 1

Sheet No. [illegible]

GENERAL LEDGER SHEET

Illustration No. 2

[illegible]

[illegible]

CREDITS

[illegible]

Record of Cash Received for the Month of _____, 19____. CASH REA CONSTRUCTION FUND - TRUST

[illegible]

Text No. 13 - Illustration No. 4
Sheet No. _____

[illegible]

DEBIT

GENERAL OFFICE EXPENSE

[illegible]

DEBIT

OPERATION EXPENSES

Accounts Payable A/C 222.1	Accrued Payroll A/C 230.3	Operation of Stations A/C 759	Operation of Lines A/C 761	Services Consumers Premises A/C 762	Other Operation Expenses A/C No.	Amount

DEBIT

EXPENSE

Structures Station Equipment A/C 765	Mainte- nance of Lines A/C 768	Trans- formers & Devices A/C 770	Maintenance of Services A/C 771	Mainte- nance of Meters A/C 772	Other Maintenance Expense A/C No. Amount

Record of Checks Drawn on

Bank for Month of

19

CREDIT																
Line	Day	Drawn to the Order of	Ck. No.	120.2 Amount of Check	S/S Tax	100.31 Con- tractor	360 Meters	360 Meter Inst.	100.31 Pole Insp.	100.31 Legal Fees	100.31 Misc Legal Exp.	Engineering 100.31 tract	100.32 Force Acct.	100.31 Final Insp.	R/M 100.31 P/A	350 After Aliot
				228.32	30.2	1a	2	3	4	5	6	7a	7b	8	9a	9b

DEBIT

[illegible]

Month of _____

GENERAL FUNDS

Accounts Payable Register Sheet No. _____

Text No. 13 - Illustration No. 7

CREDIT		REFERENCE		DEBIT			

Sheet No. _____

DEBIT

[illegible]

[illegible]

Text. No. 13 - Illustration No. 8

Sheet No.

[illegible]

Text No. 13 - Illustration No. 9a

Account No.

[illegible]

Delinquent Fate

Shift Off Record

५००

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Finance Division
Washington 25, D. C.

REA BOOKS OF ACCOUNT

Problems
Text No. 13
(Revised)

INSTRUCTIONS TO STUDENTS: Number your answers to conform with the problems.
Use the following heading on each page:

Name _____ Subject REA Books of Account
System _____ Text No. 13
Position _____ Address _____

1. Name the principal books of account used in the REA Manual of Accounts.
2. Explain the principles involved in determining the cash account in which cash is deposited for the following: Receipt of REA Construction Cash; Receipt of General Cash. Give an illustration of each type.
3. Explain the importance of entering the date appearing on the U. S. Government check covering advances of funds to the REA Construction Fund in the explanation column of the Cash-REA Construction Fund--Trustee - Cash Receipts and Budget Control record.
4. Suppose that a refund were received from an insurance company on a policy the cost of which had originally been paid from REA Construction Funds. In which book of original entry would this be recorded?
5. What are the two methods of handling daily cash collections? Explain their advantages and disadvantages.
6. On January 2, 1947, the following collections were made:

Membership Fees

John Adrock (check)	\$5.00
Ben Amiel (check)	5.00
Horace Benbroke (check)	<u>5.00</u>

\$15.00

Consumers' Deposits

James Whitmore (check)	5.00
Jonathan Grace (check)	<u>50.00</u>

\$55.00

REA BOOKS OF ACCOUNT

Problems
Text No. 13

Collections of Accounts Receivable were received in cash from various consumers. An adding machine tape of the paid energy stubs of receipts on this totals \$180.00. Total receipts for the day amounted to \$250.00.

Prenumbered receipts were issued for all collections of membership fees and consumers' deposits, with the duplicate receipts being retained to support the cash record.

- a. Prepare standard form of daily collection record for the above transactions.
 - b. Prepare deposit slips covering the day's collections.
 - c. Explain how the daily cash collection record would be used as a basis for entering the day's receipts in the cash receipts book.
7. Prepare as of 7/31/47 a voucher check payable to Joe Ringler from REA Construction Funds covering the items listed below. (It is not necessary to indicate the accounts to be charged.) Social Security Deduction of 1% on salary and \$10.00 Withholding Tax should be considered.

<u>Date</u>	<u>Details</u>	<u>Purpose</u>	<u>Gross Amount Due</u>
7/15/47	60 hours at \$1.00 per hour, period 7/1 to 7/15/47	Salary-Easement Solicitation	\$ 60.00
7/31/47	75 hours at \$1.00 per hour, period 7/15 to 7/31/47	Salary-Work Order Construction	75.00
			<u>\$135.00</u>

8. Explain how the miscellaneous column on the General Funds check register is used. Explain how the 1% Social Security Tax withheld for old age benefit is handled in the check register.
9. On the basis of the following facts, prepare a bank reconciliation of the General Funds of the XYZ Cooperative with the balance on deposit in the First National Bank of Blankton and also make necessary adjusting journal entries.

Balance per books:

Account 120.1 as of 2/28/47	\$5,380.16
Balance per bank Statement 2/28/47	5,768.48

Bank service charges appearing on the bank statement which have not been recorded on the books amount to \$4.80.

REA BOOKS OF ACCOUNT

Problems
Text No. 13

Only the bank had taken into account the return of John Baner's \$3.40 check marked NSF. The check had been given in payment of an energy bill.

Deposits of \$83.48 were in transit and had not reached the bank to be recorded on its books as of the date of the statement.

It was determined that the following checks were outstanding:

Check 102	\$320.00
105	46.00
106	46.00
107	68.00

This reconciliation should be prepared in accordance with standard forms.

10. Discuss the purpose of the accounts payable register and its use in the REA system of accounts. What is the relation of detail items in the accounts payable register to the controlling accounts in the general ledger?
11. Explain how you would enter the following items which were unpaid at the end of the month:
 - a. Power Bill - Cooper River Power Company received
on 2/28/47 \$348.10
 - b. Invoice for material to be used in Work Order Construction
in the amount of \$340.10.
 - c. Invoice of I. C. Bill, Contractor on Section A, in the
amount of \$2,500.00
12. What record is made in the accounts payable register when an invoice is paid?

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Finance Division
Washington 25, D. C.

REA BOOKS OF ACCOUNT

Solutions to Problems
Text No. 13
(Revised)

1. The principal books of account used in the REA Uniform System of Accounts are:
 1. General Journal
 2. General Ledger
 3. Cash--General - Cash Received
 4. Cash- General - Check Register
 5. Cash--REA Construction Fund--Trustee - Cash Received and Budget Control
 6. Cash--REA Construction Fund--Trustee - Check Register
 7. General - Accounts Payable Register
 8. REA Construction Fund--Trustee - Accounts Payable Register
 9. Consumers' Ledger
2. Cash received from the REA is for the purpose of constructing the system and for this reason is recorded in the account Cash--REA Construction Fund--Trustee. All checks making payments for construction costs are written on the Cash--REA Construction Fund--Trustee account and entered in the Cash--REA Construction Fund--Trustee - Check Register. Membership funds and other cash items collected from operation of the business are entered in the account Cash--General, and checks written on the Cash--General account to meet operating expenses are entered in the Cash--General - Check Register.
3. The dates of government checks are entered in the explanation column of the Cash--REA Construction Fund--Trustee - Cash Received and Budget Control record in order that the bookkeeper may be enabled to compute the interest on funds received from REA and prove the interest statements.
4. A refund received from an insurance company on a policy, the original cost of which had been paid from Cash--REA Construction Fund--Trustee, should be entered in the Cash--REA Construction Fund--Trustee - Cash Received and Budget Control portion of the cash book.
5. The daily Cash Collection Sheet and the daily Cash Envelope System constitute the bases for the two methods of handling cash collections. Under the first method a columnar sheet is prepared providing a column for each of the various sources of income such as accounts receivable, membership fees, etc. At the end of the day the sheet is

totalled and reconciled with cash in the money drawer. Under the Envelope System, receipts are grouped according to classification and the receipts inserted in the envelopes. An adding machine tape is run on each group of receipts and the totals of the groups summarized on the front of the envelopes under the various captions.

6.a.

Source of Collection	Debit		Credit		
	Cash		Accts. Rec. Energy Bills	Membership Fees	Consumers Deposits
	120.1	120.5			
Membership Fees					
John Adrock	5.00			5.00	
Ben Amiél	5.00			5.00	
Horace Benbroke	5.00			5.00	
James Whitmore		5.00			5.00
Jonathan Grace		50.00			50.00
Energy Collections Per Tape	180.00		180.00		
	195.00	55.00	180.00	15.00	55.00

b.

(1)

DEPOSIT SLIP

FIRST NATIONAL BANK

St. Louis, Mo.

In Account With: 48 States Electric Cooperative

Cash--General

Date - January 2, 1947

Currency	180.00
Checks - John Adrock	5.00
Ben Amiél	5.00
Horace Benbroke	5.00

DUPLICATE

RECEIVED Jan. 2, 1947

Total

\$195.00

Signature - Bank Teller - 2 -

REA BOOKS OF ACCOUNT

Solutions to Problems
Text No. 13

b.
(2)

DEPOSIT SLIP

FIRST NATIONAL BANK

St. Louis, Mo.

In Account With: 48 States Electric Cooperative

CASH--CONSUMERS' DEPOSIT

Date - January 2, 1947

Checks - James Whitmore	\$ 5.00
Jonathan Grace	50.00

Total \$55.00

DUPLICATE
RECEIVED January 2, 1947

Signature - Bank Teller

- c. The daily cash collection is summarized on the daily cash collection sheet and from this summary entered in the Cash-General - Cash Received journal. A portion of the cash received page may be used for recording those receipts to be deposited in Cash--Consumers' Deposits Fund.

REA BOOKS OF ACCOUNT

Solutions to Problems
Text No. 13

7.

VOUCHER CHECK

			No.
Date	Items	Account	Amount
7/15/47	60 hrs. @ \$1.00 period 7/1 - 7/15/47 Salary - Easement Solicitation	350	\$ 60.00
7/31/47	75 hrs. @ \$1.00 period 7/15 to 7/31/47 Salary-Work Order Construction	100.32	75.00 \$135.00
	Less Social Security Tax Deduction \$ 1.35		
	Less Withholding Tax Net Amount " 10.00		11.35
			<u>\$123.65</u>

REMITTANCE MEMO

48 STATES ELECTRIC COOPERATIVE	No. 2005
Cash--REA Construction Fund--Trustee	
St. Louis, Mo. - July 1, 1947	
PAY TO THE ORDER OF	Joe Ringler
	\$123.65
One Hundred Twenty three and 65/100 - - - - - DOLLARS	
Payable at	48 States Electric Cooperative
FIRST NATIONAL BANK	By
St. Louis, Missouri	Authorized Agent

8. The miscellaneous column on the Cash-General Check Register is used to record disbursements for which there is not provided a special column. At the end of the month the items in this column are summarized at the bottom of the sheet for posting to the appropriate general ledger accounts. On the credit side of the check register there is a column for the 1% Social Security deduction. The amounts deducted and recorded in this column are posted to Account 228.3 - Accrued U. S. Social Security Tax-Old Age Benefit.

REA BOOKS OF ACCOUNT

Solutions to Problems
Text No. 13

9.

BANK RECONCILIATION

General Funds XYZ Company

Balance shown by Bank Statement 2-28-47	\$5,768.48
Add Deposits in transit	83.48
	<u>5,851.96</u>

Deduct Outstanding Checks -

Check 102	320.00	
" 105	46.00	
" 106	46.00	
" 107	68.00	<u>480.00</u>

Adjusted Bank Balance 2-28-47	<u>\$5,371.96</u>
-------------------------------	-------------------

Balance on Books 2-28-47	\$5,380.16
--------------------------	------------

Less:

Bank Service Charge	4.80	
John Baner's Check NSF	3.40	<u>8.20</u>

Adjusted Book Balance 2-28-47	<u>\$5,371.96</u>
-------------------------------	-------------------

The following journal entry is made:

Debit Account 793	General Office Expenses	\$4.80	
" "	125.1 Accounts Receivable -		
	Electric Consumers	3.40	
Credit "	120.1 Cash - General		\$8.20

10. In REA, systems customarily pay current bills at the end of the month. If there are any bills which are unpaid, they should be recorded in the appropriate accounts payable register and posted to the general ledger. These postings should carry as much detailed information as possible, such as Contractor, Meters, Operations Labor, etc. When checks are drawn paying items recorded as accounts payable, the date of such payments should be recorded in the accounts payable register in the last two columns. The total of the individual items for which the firm is liable as shown by the accounts payable register should equal the balance of the general ledger control account.
11. This bill would be recorded in the General - Accounts Payable Register:

(a) Dr. Account 738	Purchased Power	348.10	
Cr. "	222.1 Accounts Payable - General		348.10

These bills would be recorded in the REA Construction Fund - Trustee--Accounts Payable Register:

(b) Dr. Account 131.1-Materials and Supplies - Electric	340.10	
Cr. "	222.2-Accounts Payable - REA Construction	340.10

REA BOOKS OF ACCOUNT

Solutions to Problems
Text No. 13

(c) Dr. Account 100.31 Construction Work in Progress-
Contract \$2,500.00

Cr. Account 222.2 Accounts Payable - REA Construc-
tion \$2,500.00

12. When an invoice is paid which was posted to Accounts Payable the accounts payable register should have a notation in the last two columns as to date of payment and amount.